



STATE OF DELAWARE

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MEMORANDUM

TO: The Chairman and Members of the Commission

FROM: Connie McDowell, Senior Regulatory Policy Administrator

DATE: March 21, 2018

SUBJECT: IN THE MATTER OF THE JOINT APPLICATION OF ARTESIAN WATER COMPANY, INC. AND SLAUGHTER BEACH WATER COMPANY FOR THE APPROVAL PURSUANT TO DEL. C. §215 OF AN ASSET PURCHASE AGREEMENT.
(FILED MARCH 19, 2018) - DOCKET- NO. 18-0178

Background:

The owners of Slaughter Beach Water Company, Inc. ("Slaughter Beach"), a Delaware corporation and Delaware regulated utility ("Slaughter Beach") expressed an interest in no longer being in the public water utility business. The Company decided to sell its assets to Artesian Water Company, Inc..

Application:

On March 19, 2018, Artesian Water Company, Inc. and Slaughter Beach Water Company (together, the "Applicants") filed an application (the "Application") seeking approval by the Delaware Public Service Commission ("Commission") to participate in a transaction whereby Artesian will acquire from Slaughter Beach certain water utility assets along with the rights to provide water service to all the Slaughter Beach's existing customers.

Applicants:

Artesian Water Company, Inc.

Artesian is a wholly owned subsidiary of Artesian Resources Corporation. Artesian is a Delaware Corporation providing water service to customers pursuant to rates set on January 16,

2016, in PSC Docket No. 14-132, Order No. 8816. In addition, Artesian serves 84,400 metered, mostly residential customers across the state of Delaware.

Slaughter Beach Water Company

Slaughter Beach is a Delaware Corporation providing water service to customers pursuant to rates set on February 6, 2014, in PSC Docket No. 13-364, Order No. 8526. In addition, Slaughter Beach serves 263 unmetered residential customers in the Town of Slaughter Beach, a coastal community located in Sussex County, Delaware.

Transaction:

Pursuant to an Asset Purchase Agreement dated March 19, 2018, between Artesian and Slaughter Beach, Artesian intends to obtain certain water utility assets and the rights to provide water service to the customers served by those assets from Slaughter Beach. Artesian will acquire 263 customers from Slaughter Beach. The assets to be transferred of Slaughter Beach's are as follows:

- a) All wells and supply infrastructure, water plant and facilities, treatment plant and facilities, mains, lines, meters, pumps, and related appurtenances;
- b) All interests in real property, including easements, relating to or used in conjunction with the Water Business; and
- c) All accounts receivable (including trade accounts receivable) and all rights to receive payments, including any rights with respect to any third party collection procedures or any other actions or proceedings which have been commenced in connection therewith, that relate solely to the Water Business for products or services rendered by Seller to customers of the Water Business prior to the Effective Time.

Public Interest:

The Applicants asserts that the public interest will be served and that the agreement is in accordance with the law and is for a proper purpose. According to the Applicants, there will be no change in the services offered to Slaughter Beach's customers. In addition, after Artesian takes over Slaughter Beach systems, Artesian will install a meter and at that point Artesian will need to file an application requesting that these customers be subject to Artesian's rates and terms of service as approved by the Commission. Furthermore, shortly after closing, Artesian will send notification letters explaining the change in water service provider and how it will affect customers. Service will continue to be provided to customers with no immediate change in rates or terms and condition of service. Before becoming subject to Artesian's rates and terms of service, new meters will need to be installed for all customers. The cost of the installation will be paid by Artesian. Finally, the Transaction will be transparent to customers and will not

disrupt service or cause customer confusion or inconvenience. Staff believes this acquisition is in the public interest.

Staff's Recommendation:

Applications seeking an asset transfer approval come under the provisions of 26 *Del. C.* §215 because the companies are public utilities. In addition, Staff believes this acquisition is in accordance with law, is for a proper purpose and is in the public interest. Staff will also acquire verification from the Applicant that the proposed asset purchase has been completed.